



THE EFFECT OF MSME MICROFINANCE CREDIT ON THE PERFORMANCE AND QUALITY OF SMALL AND MEDIUM MICRO ENTERPRISES (MSME) IN MAKASSAR CITY

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ABSTRACT

This study aims to determine the effect of MSME microfinance credit mediated by the quality of MSMEs on the performance of MSMEs in Makassar City, this research generally supports the Resource Based View (RBV) theory which states that the key to improving company performance is based on the company's internal characteristics, such as resources. finance, human resources and others, in this case supported by findings in this study where the quality of MSMEs (human resources, innovation and marketing) has an effect on the development of MSME performance in Makassar City, although in this study the financial resources originating from MSME loans do not provide a positive influence on improving company performance.

Keywords: MSMEs, MSME Performance, Quality of MSMEs, MSME Microfinance Credit

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are very important factors in the Indonesian economy. The MSME sector certainly greatly influences the condition of Indonesia's denomination where the contribution of MSMEs to the Indonesian economy is very large in various fields, including (1) the number of business units in Indonesia as of 2018 (99.9%) (2) Contribution to the number of workers (97%) (3) Contribution to GDP (61.07%) (4) Contribution to Non-Oil and Gas Exports (14.37%) (5) Contribution to investment (60.42%) (BPS data, 2018).

In line with the data above, research by Sarwono (2015) states that the MSME sector in Indonesia has a strategic role in opening up jobs, new businesses, and contributing greatly to encouraging an increase in gross domestic product (GDP). Therefore, it shows that Indonesia is still very dependent on the growth of the MSME sector and this sector is a key factor in the development of the national economy. MSME actors in Makassar City also face obstacles / challenges, namely the unfavorable business climate, limited market access, low productivity, limited access to credit from banks, and low motivation and entrepreneurial spirit. The development of small, micro and medium enterprises (MSMEs) is directed to make a significant contribution to the creation of job opportunities, increase exports and increase competitiveness, meanwhile the development of micro-scale businesses is directed to contribute to increasing the income of low-income people, especially in the agricultural sector rural area.

The Research Gap that wants to be examined in this study includes several previous studies D Anggraini, SH Nasution (2013) and VW Sujarweni, LR Utami (2015) only focuses on the relationship between capital and the growth of MSME performance, so this research tries not only to examine in terms of capital or business credit only, but adding the quality factor of MSMEs in relation to the development of MSME performance.

LITERATURE REVIEW

Micro, Small and Medium Enterprise criteria

Criteria for Micro, Small and Medium Enterprise according to Indonesian Law no. 20 of 2008 Article 6 states that:

Enterprises Scale	Asset	Revenue
Micro	Max Rp 50 Million	Max. Rp 300 Million
Small	>50 - 500 Million	>300 Million - 2.5 Billion
Medium	>500 Million - 10 Billion	>2.5 Million - 50 Billion

Resource-Based View Theory

This theory argues that the key to improving firm performance is based on the internal characteristics of the company (Barney, 2001). Differences in performance are explained mainly by the existence of valuable, scarce, and not easily replicated organizational resources for competition (Barney, 2001). Resources are tangible and intangible assets owned by a company (Galbreath, 2005). Tangible assets include financial resources, physical resources (plants, equipment, machines, etc.), human resources, and technological resources; while intangible assets refer to knowledge, skills, reputation and abilities.

MSMEs microfinance credit

Micro, Small and Medium Enterprise Credit (MSME) is a credit to micro, small and medium business debtors that meet the definitions and criteria for micro, small and medium enterprises as stipulated in Law Number 20 of 2008 concerning MSMEs. Based on this Law, MSMEs are productive businesses that meet business criteria with certain limits on net worth and annual sales results. One example of microfinance credit in Indonesia is the People's Business Credit (KUR). KUR is a credit / financing for working capital and / or investment to individual / individual debtors, business entities and / or business groups that are productive and feasible but do not have additional collateral or additional collateral is insufficient. MSMEs and cooperatives that are expected to be able to access KUR are those engaged in productive business sectors, including: agriculture, fisheries and marine, industry, forestry, and financial services, savings and loans.

MSME Performance

The growth of MSMEs has been identified as a key driver of economic development and wealth and job creation in every country around the world (Davidsson et al., 2010; Nixon, 2000). According to Schwass (2005), the growth of MSMEs is important because it is an indication that the business is successfully responsive and adapting to market needs. Previous studies (Davidsson et al., 2007; Dobbs and Hamilton, 2007) have proven that MSME growth should be encouraged because it can create job opportunities in society and can act as a remedy / solution for economic downturns. Therefore, it is important to encourage MSME-oriented growth because MSMEs contribute to the economy through job creation, generate more production volume, introduce innovation and entrepreneurial skills.

Quality of MSMEs

High quality MSMEs have a greater positive impact on economic growth and development than low quality MSMEs. This is because high quality companies create comparatively more jobs than other companies (Fritsch and Schroeter, 2011) so that they have a relatively higher effect on fostering the growth of MSMEs. However, around the world, the average MSME remains at a low growth rate, which indicates that high-quality MSMEs are small in number. Researchers (Shepherd and Wiklund, 2009; Andzelic et al., 2011) also emphasized that the growth of MSMEs is very important not only for its role in wealth and job creation, but also for its ability to drive innovation.

This study focuses on three qualities factors of MSMEs (available MSME human resources; marketing capabilities; and SME innovation) in an effort to determine which of them can take into account the high quality of MSMEs that contribute significantly to the growth of MSMEs.

Human Resources

Human resources are an important aspect of company quality as seen in significantly improving performance, competitiveness, success and business growth (Segal et al., 2009; Lafuente and Rabetino, 2011; Colombo and Grili, 2005). In MSMEs, the focus is always on the human resources of the founder / owner, most of which are measured in terms of education and previous work experience (Fatoki, 2011; Segal et al., 2009). A study by Herrington et al. (2009) identified lack of education and training as the main cause of failure of new MSMEs in South Africa.

In the industry experience dimension, several studies (Batjargal, 2005; Colombo and Grili, 2005) have determined that industry experience has a significant positive impact on company growth. Haynes (2003) observed that businesses started by entrepreneurs with prior industry experience generated nearly 80% more sales revenue than their counterparts' businesses.

Innovation

Innovation is a characteristic tool for entrepreneurs because it is a means of exploiting change to complete different businesses or services and it is also an important factor in a company in its survival, growth, development and success. Innovation is vital in supporting MSMEs today due to the turbulent business environment. The importance of the MSME function is its ability to innovate and challenge incumbents with their creative product / service offerings (Shane, 2003). Goedhuys and Veugelers (2012) emphasize that combining product and process innovation is very important to significantly increase the success and growth of MSMEs. Choi and Williams (2012) identified a significant positive relationship between innovation and sales growth of Chinese companies.

Marketing Performance

Marketing performance is influenced by company effectiveness (effectiveness), growth or share (growth / share), and profitability. And further described, seen from the effectiveness of distribution channel members, there are three qualities of a product (relative product quality), new product success (new product success), and always maintaining consumers (consumer retention) (Anis: 2017). Marketing performance is used as a tool to measure the level of success of the overall performance undertaken including the success of the strategies implemented, sales growth and company profits. Marketing performance or market performance is a general construct for measuring the impact of company strategy. Marketing performance can be estimated through market share, profits, and sales growth rates (Adipoetra: 2017).

Hypothesis

Hypothesis testing tool used in this test is the significance test. The hypothesis used to answer the problem formulation is as follows:

H1: It is suspected that MSME microfinance credit has a significant effect on the development of MSME performance in the city of Makassar

H2: It is suspected that MSME microcredit has a significant effect on the quality of MSMEs in the city of Makassar

H3: It is suspected that the quality of MSMEs has a significant effect on the development of MSME performance in the city of Makassar

H4: It is assumed that microfinance MSME credit which is mediated by the quality of MSMEs has a significant effect on the development of MSME performance in the city of Makassar.

Sample of research

The population in this study were MSME entrepreneurs in the city of Makassar. The plan for distributing questionnaires is as many as 180 pieces, with the result only 100 pieces is suitable for the sample's research.

Profile of Respondents

Charateristics	Frequency	Percentage
Age		
Below 30 years	33	33%
30-50 years	55	55%
Above 50 years	12	12%
Education		
Primary School	1	1%
Junior High	7	7%
Senior High	45	45%
University Degree	47	47%
Enterprise Category		
Micro	91	91%
Small	9	9%
Length of Business		
1-2 years	27	27%
3-5 years	43	43%
5-7 years	18	18%
>7 years	12	12%
Credit Nominal Taken		
1-25 Million	89	89%
25-75 Million	3	3%
75-150 Million	8	8%
Length of Credit Taken		
1-2 years	82	82%
3-4 years	15	15%
5 years	3	3%

Measures

The operational definition of a variable can be described from several definitions of variables that limit each term used in previous studies and adapted to the context of this study: MSME Microfinance Credit (X), MSME Microfinance credit will be measured by the nominal amount of microfinance credit they get for their business. MSME Performance Development (Y), the development of MSMEs will be measured through sales growth or business turnover. Quality of MSMEs (M), the quality of MSMEs will be measured through 3 (three) measures, namely human resources, business innovation and marketing capabilities

ANALYSIS AND FINDINGS

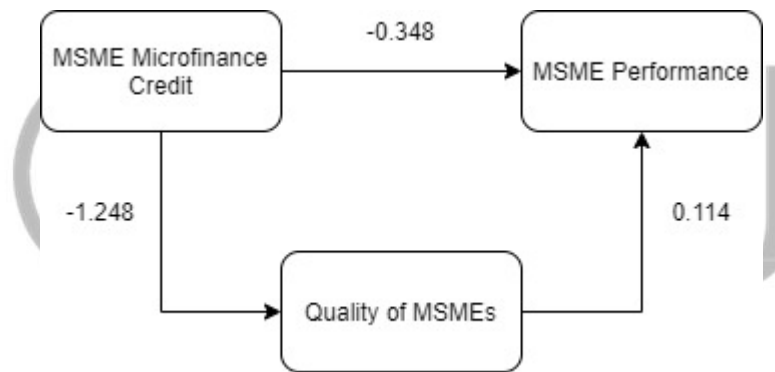
This study aims to determine the effect of MSME microfinance credit mediated by the quality of MSMEs on the performance of MSMEs in Makassar City, from existing literature searches related to the performance or development of small and medium enterprises have not found similar research in discussing the effect of mediating factors on business quality on the effect of business credit on the performance of small businesses, especially on a regional scale such as in Indonesia and in the city of Makassar.

Path Analysis

Path analysis used in this study aims to examine the effect of MSME credit mediated by the quality of MSMEs on the performance of MSMEs in Makassar City. Based on the results of the regression analysis, path analysis direct influence is -1.248 and indirect influence is -0.039, with total effect is -1.287. The results of regression testing are presented as follows:

Table.1 Result of Regression

Dependent Variable	Independent Variable	Unstandardized (B)	Std Coef Beta	Constanta	t	Sig.	Adjusted R ²
Credit of MSME	MSME Quality	-1.248	-0.138	98.184	-1.376	0.172	0.019
MSME Performance	Credit of MSME	-0.348	-0.194	9.282	-2.444	0.016	0.400
	MSME Quality	0.114	0.576	9.282	7.525	0.000	0.400



Sobel's analysis

Sobel's analysis in this study was used to determine the indirect effect of the mediating variable, namely the quality of MSMEs. Because t count = -2.317 is smaller than t table with a significance level of 0.05, which is 1.96, it can be concluded that the results are significant, with a mediation coefficient of -1.287, so that there is a mediating effect of MSME Quality in mediating the relationship between MSME Credit and MSME Performance.

Effect of MSME Microfinance Credit on MSME Performance in Makassar City

The significance value is 0.016 less than 0.05 ($0.016 < 0.05$) and the regression coefficient has a negative value of 0.348, so the hypothesis "it is suspected that microfinance credit has a significant effect. on the development of MSMEs in the city of Makassar "is accepted to have a significant and negative effect. The magnitude of the influence of MSME credit on MSME performance is 0.400, this means that MSME performance is influenced by MSME credit by 40% while the remaining 60% is influenced by other factors not included in this study.

So that the results of this study conclude that there is a significant and negative effect of microfinance credit on the performance of MSMEs in the city of Makassar, where the same thing was also conveyed in a study by Xintiang Wang (2013), where small businesses that are eager to seek and get microfinance loans are MSMEs which are likely to be has problems with low

productivity and low operating profits. So this can explain why in this research on MSME actors in the city of Makassar, MSMEs that make microfinance loans do not have business performance as well as expected. The same thing was concluded by research conducted by Dewi Anggraini and Syahrir Hakim Nasution (2013) who conducted research in the city of Medan, which stated that there were MSMEs that received people's business credit (KUR) which had poor performance due to the unwise use of the results of MSME credit disbursement. as used to cover personal / consumptive needs.

Effect of MSME Quality on MSME Performance in Makassar City

The significance value 0.000 is less than 0.05 ($0.000 < 0.05$) and the regression coefficient has a positive value of 0.114, so the hypothesis "it is assumed that the quality of MSMEs has a significant effect on the development of MSMEs in the city of Makassar " is accepted to have a significant and positive effect. The magnitude of the influence of the quality of MSMEs on the performance of MSMEs is 0.400, this means that the performance of MSMEs is influenced by the quality of MSMEs by 40% while the remaining 60% is influenced by other factors not included in this study.

So that this study measures the quality of MSMEs in the city of Makassar using indicators of human resources, innovation and marketing capabilities, all of which are internal strengths possessed by MSMEs that affect the development of MSME performance, this is in accordance with the Resource Based View (RBV) theory, where business quality which is described as the internal strength of the company such as tangible assets including financial resources, physical resources (plants, equipment, machinery, etc.), human resources, and technology resources; while intangible assets refer to knowledge, skills, reputation, and abilities that will improve the performance of a business. The influence of the quality of MSMEs has a significant and positive influence on the performance of MSMEs in the city of Makassar which is also supported by Nenek Ngek (2014) where the results of his research show that human resources, growth ambition, innovation, motivation, and market orientation can be used to define high quality MSMEs in South Africa, which contributed significantly to the growth of MSMEs (job growth, sales growth and asset growth).

Effect of MSME Microfinance Credit on MSME Quality

The significance value 0.172 is greater than 0.05 ($0.172 > 0.05$) and the regression coefficient has a negative value of 1.248, so the hypothesis "it is assumed that microfinance credit has a significant effect on the quality of MSMEs in the city of Makassar " is not accepted. The magnitude of the influence of MSME credit on the quality of MSMEs is 0.019, this means that the quality of MSMEs is influenced by MSME credit by 1.9%, while the remaining 98.1% is influenced by other factors not included in this study.

So this research concludes that there is no influence of microfinance credit on the quality of MSMEs in Makassar, this is in line with research by Khadijah & Mohammad (2017) which states that financial resources do not have a significant effect on business factors that determine the success of small and medium enterprises in Malaysia. One of the possible causes is Malaysia as a developing country, so that small and medium enterprises in Malaysia are very dependent on the public sector in maintaining and maintaining their business growth. The same thing was also conveyed by Susan Coleman (2007) who in her research stated that external financial capital and human resources did not significantly influence business growth, especially in small businesses owned by women but were influenced by other variables besides external finance and resources. human power.

Effect of MSME Microfinance Credit mediated by MSME Quality on MSME Performance

Based on the results of the sobel test, it shows that the magnitude of the influence of MSME credit (X) which is mediated by the quality of MSMEs (M) on the performance of MSMEs (Y) in this case the indirect effect is -1.287672. Because t count = -2.317 is smaller than t table with a significance level of 0.05, namely 1.96, it can be concluded that the results are significant, with a mediation coefficient of -1.287, so that there is a mediating effect of the quality of MSMEs in mediating the relationship between MSME Credit and MSME Performance.

Table.2 Hypothesis Conclusions

No	Hypothesis	Conclusion
H1	It is suspected that MSME microfinance credit has a significant effect on the development of MSME performance in the city of Makassar	Accepted
H2	It is suspected that MSME microfinance credit has a significant effect on the quality of MSMEs in the city of Makassar	Not Accepted
H3	It is suspected that the quality of MSMEs has a significant effect on the development of MSME performance in the city of Makassar	Accepted
H4	It is suspected that microfinance MSME credit which is mediated by the quality of MSMEs has a significant effect on the development of MSME performance in the city of Makassar	Accepted

CONCLUSION

The purpose of this study is to identify the effect of microfinance credit on the performance and quality of MSMEs in Makassar City, so that the results of this study can be used to provide information and input for MSME actors in Makassar city to develop their business. According to the results of the discussion, microfinance credit has a negative effect on the performance of MSMEs in the city of Makassar and microfinance credit has no effect on the quality of MSMEs in the city of Makassar.

There is a mediating effect of the quality of MSMEs in mediating the relationship between MSME Credit and MSME Performance. The negative effect of microfinance credit on the performance of MSMEs in the city of Makassar occurs due to the possibility that most of the MSMEs that make microfinance loans are problematic MSMEs, so that in the short term it will not immediately help improve the performance of these MSMEs. In addition, the use of proceeds from microfinance loans is inappropriate, such as for consumptive purposes. There is no effect of MSME microfinance credit on the quality of MSMEs, possibly due to the fact that most of the microfinance credits obtained will be prioritized for use in buying production materials, tools or machines and so on compared to being used in improving the quality of these MSMEs.

In general, this study supports the Resource Based View (RBV) theory which states that the key to improving company performance is based on the internal characteristics of the company, such as financial resources, human resources and others, in this case supported by the findings in this study where The quality of MSMEs has an effect on the development of MSME performance in Makassar City, although in this study the financial sources of MSME credit do not have a positive effect on improving company performance.

So that further research can take into account in more detail the use of microfinance credit money obtained by MSME players in order to get a clearer picture regarding the use of credit capital for the development of the MSME performance. So that it can ensure that the capital obtained is actually used for business development, not for anything other than that. For the

government of Makassar city, it can help guide MSMEs so that they can optimize the capital they get to improve human resources, innovation and marketing of MSMEs both through mentoring and business and management training.

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